

FILED
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CIRCUIT COURT
DANE COUNTY, WI
2020CV001054

STATE OF WISCONSIN : CIRCUIT COURT : DANE COUNTY
BRANCH 15

In the Matter of the Rehabilitation of:

Case No. 2020-CV-1054

Time Insurance Company
c/o: Office of the Commissioner of Insurance
125 South Webster Street
Madison, WI 53703

Case Code: 30703

NOTICE OF MOTION AND MOTION TO APPROVE ASSUMPTION

TO: All Interested Parties

NOTICE

PLEASE TAKE NOTICE that the Commissioner of Insurance of the State of Wisconsin, Mark Afable, as Rehabilitator of Time Insurance Company (the “Commissioner” or the “Rehabilitator”), brings this Motion for Approval of Assumption (the “Motion”) for hearing, if necessary, before the Circuit Court of Dane County, in the Dane County Courthouse, 215 S. Hamilton Street, Madison, WI 53703-3285, on September 28, 2020, at 3:00 P.M. Objections to the Motion, along with supporting documentation, shall be filed with the Court and served on the Commissioner, by his attorneys, James A. Friedman and Zachary P. Bemis of Godfrey & Kahn, S.C., and any other party who has filed an appearance in this action within 14 days of the filing of the Motion.

MOTION

Mark Afable, Commissioner of Insurance of the State of Wisconsin, as Rehabilitator of Time Insurance Company (the “Commissioner” or the “Rehabilitator”), hereby moves the Court, pursuant to Wis. Stat. §645.33 and chapter 645, in general, to enter an Order approving the August 26, 2020 Assumption Agreement between Time Insurance Company (“Time”) and National Health Insurance Company (“NHIC”). As grounds for this Motion, the Commissioner states as follows:

1. On or about October 1, 2015, Time and Integon National Insurance Company (“INIC”) entered into a Coinsurance Agreement (amended on March 23, 2016) regarding supplemental health insurance business (the “Health Business”), an Administrative Services Agreement (amended on August 24, 2016 and September 15, 2016), and a related Trust Agreement with JPMorgan Chase Bank, N.A., as trustee (collectively, the “Health Business Agreements”), by which INIC agreed to fully reinsure on a 100 percent coinsurance basis and to administer the Health Business. The Health Business includes over 88,000 policies.

2. On or about March 23, 2016, Time and NHIC entered into a Coinsurance Agreement regarding term life insurance business (the “Life Business”), an Administrative Services Agreement, and a related Trust Agreement with JPMorgan Chase Bank, N.A., as trustee (collectively, the “Life Business Agreements”), by which NHIC agreed to fully reinsure on a 100 percent coinsurance basis and to administer the Life Business. The Life Business includes almost 3,900 policies.

3. INIC and NHIC are affiliated companies that are both wholly owned by National General Management Corp. Furthermore, administration of the Health Business and the Life

Business insurance policies reinsured by INIC and NHIC is conducted by the same employees and/or entities, pursuant to the Health Business Agreements and the Life Business Agreements.

4. Pursuant to the Health Business Agreements and the Life Business Agreements, INIC and NHIC, in essence, assumed virtually all rights and responsibilities with respect to Time's policyholders in the Health Business and the Life Business. In fact, because virtually all communications with those policyholders has come from INIC and NHIC, not Time, those policyholders generally consider INIC and NHIC their insurance companies for the Health Business and the Life Business.

5. On May 18, 2020, the Commissioner filed in this Court a Petition for Order for Rehabilitation of Time (the "Rehabilitation Petition").

6. INIC provided notice of the Rehabilitation Petition to the Health Business policyholders. NHIC provided notice of the Rehabilitation Petition to the Life Business policyholders. In those notices, INIC and NHIC indicated to the policyholders that they intended to enter an agreement with Time, whereby NHIC would assume all of Time's rights and liabilities with respect to the Health Business and the Life Business. None of those policyholders filed an objection with this Court either as to the Rehabilitation Petition or as to the proposed assumption.

7. The Rehabilitator has reviewed the Life Business Agreements and the Health Business Agreements and performed other extensive due diligence concerning the proposed assumption. Based on that review, the Rehabilitator has determined that it would be in the best interests of the Health Business policyholders and the Life Business policyholders for NHIC to assume all of Time's rights, title, interests, and obligations with respect to the Health Business and the Life Business. Furthermore, based on the current relationship between INIC and the

Health Business policyholders, on the one hand, and NHIC and the Life Business policyholders, on the other hand, the Rehabilitator has determined that such an assumption will cause little, if any, disruption to the policyholders.

8. INIC and NHIC have determined, based on their close relationship, that it would be most efficient and effective for NHIC to assume all of the Health Business, as well as all of the Life Business. Accordingly, INIC has consented to NHIC's assumption of the Health Business. NHIC is a financially sound insurance company, licensed to do business and in good standing in all states in which the Health Business and the Life Business insurance policies were issued.

9. On August 26, 2020, NHIC and the Commissioner, as Rehabilitator of Time, entered an Assumption Agreement, subject to this Court's approval. A true and correct copy of the Assumption Agreement is appended to this Motion as Exhibit 1. If the Court approves the Assumption Agreement, NHIC would assume over 55 percent of Time's total insurance policies.

10. Pursuant to Wis. Stat. § 645.33(2), "[s]ubject to court approval, the Rehabilitator may take the actions he or she deems necessary or expedient to reform and revitalize the insurer [in rehabilitation]." The Rehabilitator believes that the August 26, 2020 Assumption Agreement is "necessary [and] expedient to reform and revitalize" Time.

11. The Commissioner has shared the August 26, 2020 Assumption Agreement with regulators from the other states, and he has received no objections to the Assumption Agreement.

12. For efficiency and ease of accounting, the Rehabilitator requests that NHIC's assumption of Time's Health Business and Life Business, pursuant to the Assumption Agreement, be effective on October 1, 2020, the beginning of the 4th quarter of 2020.

13. The Rehabilitator will provide notice of the assumption to all effected policyholders of Time within 30 days. The Rehabilitator may delegate this responsibility to NHIC. Because Time is in rehabilitation, the Rehabilitator need not seek the approval of the effected policyholders of Time. Wis. Stat. § 645.33(2); *see In re Ambac Assurance Corp.*, 2013 WI App 129, 351 Wis. 2d 539, 841 N.W.2d 482; *see also* NAIC Assumption Reinsurance Model Act, sec. 7.

NOW, THEREFORE, for the reasons stated above and based on the entire record in this action, the Rehabilitator asks the Court to enter an order approving the August 26, 2020 Assumption Agreement between Time and NHIC.

Dated at Madison, Wisconsin, this 3rd day of September 2020.

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Respectfully submitted,

GODFREY & KAHN, S.C.

By: Electronically signed by James A. Friedman
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Commissioner of Insurance of the State of
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